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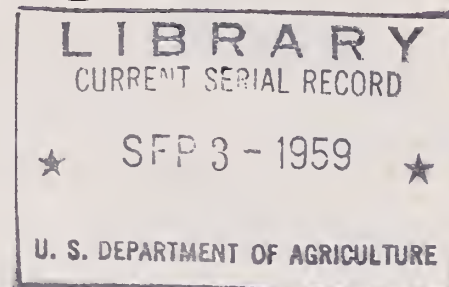
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The DEMAND and PRICE SITUATION

DPS-43



Approved by The Outlook and Situation Board, July 17, 1958

SUMMARY

Farm product prices declined 3 percent from May to June. Sharp seasonal declines for vegetables, potatoes, and wheat as well as moderate price declines for cattle and calves reflected increased marketings. Production prospects at mid-year pointed to another record output of both crops and livestock products in 1958.

Even with the price decline in June, farm product prices averaged 5 percent above a year earlier and, for the year to date, they averaged some 8 percent higher than in January-June 1957. With the volume of marketings up 3 percent, cash receipts totaled 11 percent above the first half of 1957. Production expenses were also higher, but by less than 4 percent and realized net income of farm operators in the first half of 1958 totaled 22 percent above the revised estimate for the first half of 1957.

Record crop output now appears likely for 1958. Planted acreage for 1958 harvest totaled 330 million acres, the smallest in 40 years. Principal reductions were for sorghums, oats, cotton

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1957		1958				
		Year	June	Mar.	Apr.	May	June	
Industrial production: Seasonally adj. <u>1/</u>								
Total	1947-49=100	143	145	128	126	128	130	
All manufactures	do.	145	147	129	128	130	132	
Durable goods	do.	160	163	135	131	134	138	
Nondurable goods	do.	130	131	124	125	126	127	
Minerals	do.	128	127	112	110	109	114	
Construction:								
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,492	4,003	4,053	3,960	3,929	3,951	
Public construction	Mil. dol.	14,354	1,180	1,261	1,226	1,213	1,213	
Private residential	Mil. dol.	17,019	1,373	1,397	1,350	1,334	1,360	
Housing starts	Thousands	1,042	995	918	950	1,010	1,090	
Manufacturers' sales and inventories: <u>2/</u>								
Total sales, seasonally adjusted	Mil. dol.	28,383	28,142	24,931	24,945	25,116		
Durable goods	Mil. dol.	14,159	14,207	11,670	11,532	11,668		
Unfilled orders-sales ratio <u>5/</u>		3.40	4.02	3.86	3.82	3.72		
Inventory-sales ratio <u>6/</u>		1.89	1.91	2.09	2.06	2.03		
Durable goods		2.20	2.21	2.56	2.55	2.49		
Employment and wages: <u>7/</u>								
Total civilian employment	Million	65.0	66.5	62.3	62.9	64.1	65.0	
Nonagricultural	do.	58.8	59.0	57.2	57.3	57.8	58.1	
Unemployment	do.	2.9	3.3	5.2	5.1	4.9	5.4	
Workweek in manufacturing	Hours	39.8	40.0	38.6	38.3	38.6	39.2	
Hourly earnings in manufacturing	Dollars	2.07	2.07	2.11	2.11	2.12	2.12	
Income and spending:								
Personal income payments <u>2/ 3/</u>	Bil. dol.	347.9	345.1	347.1	348.1	349.9	351.8	
Consumer credit outstanding <u>1/</u>	Mil. dol.	44,776	42,491	42,562	42,665	43,027		
Automobile	Mil. dol.	15,496	15,127	14,889	14,788	14,713		
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,668	16,783	16,074	16,512	16,572	16,485	
Durable goods	Mil. dol.	5,705	5,806	5,020	5,163	5,235	5,186	
Inventory-sales ratio <u>6/</u>		1.47	1.44	1.50	1.45	1.44		
Prices:								
Wholesale prices, all commodities <u>4/</u>	1947-49=100	118	117	120	119	120	119	
Commodities other than farm and food	do.	126	125	126	126	125	125	
Farm products	do.	91	91	100	98	98	96	
Foods processed	do.	106	106	111	112	113	113	
Consumer price index, all items <u>4/</u>	1947-49=100	120	120	123	124	124		
Food	do.	115	116	121	122	122		
Prices received by farmers <u>8/</u>	1910-14=100	242	243	263	264	264	255	
Crops	do.	233	240	245	252	246	232	
Livestock and products	do.	249	245	280	275	280	275	
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	296	296	304	306	306	305	
Family living items	do.	286	287	293	293	294	293	
Production items	do.	258	257	269	271	271	270	
Parity ratio <u>8/</u>		82	82	87	86	86	84	
Farm income and marketings: <u>8/</u>								
Volume of farm marketings	1947-49=100	116	101	89	91	96	104	
Cash receipts from farm marketings	Mil. dol.	29,757	2,118	2,103	2,198	2,286	2,300	

Annual data for most of these items for the years 1929 and 1939-57 appear on page 35 of the April 1958 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, July 17, 1958

CONTENTS			
	Page		Page
Summary.....	1	Wheat.....	15
General Business Conditions.....	5	Fruit.....	16
Farm Income.....	9	Commercial Vegetables.....	17
Livestock and Meat.....	10	Potatoes and Sweetpotatoes....	17
Dairy Products.....	11	Dry Beans and Peas.....	18
Poultry and Eggs.....	11	Cotton.....	18
Oilseeds, Fats and Oils.....	13	Wool.....	19
Feed.....	14	Tobacco.....	20

Continued from cover page -

and flaxseed. Plantings of wheat, rye and soybeans increased sharply with a small increase for corn. Crop developments through June and in early July were mainly favorable. Barring late season hazards, crop yields in general will likely exceed last year's record high. Winter wheat is setting a new production record, soybean acreage is record large and current conditions are promising, and the corn crop looks slightly smaller than last year, but well above average. A sharp cut in sorghum acreage assures a sizeable reduction below last year's record crop. Reduced plantings of cotton may result in the smallest acreage for harvest in more than 80 years. Livestock conditions generally remain excellent with prospects for continued high production of meat animals, dairy products and poultry.

The recovery in a number of business indicators which was evident in May continued into June although gains have been small. Consumer incomes have increased for the past three months. Housing starts rose more than seasonally in March, April, May and June. Industrial production picked up in most industries in May and again in June after a steady 8 month decline. However, inventories are still large and liquidation is continuing. Prospects remain dim for any pick up in investment in plant and equipment by business firms this year. As of May, businessmen were planning to reduce spending on new plant and equipment in the second quarter and again in the third quarter of this year. Employment rose in June but somewhat less than the seasonal amount. Unemployment also rose, but less than seasonally.

Commodity Highlights

A sizeable downward price adjustment in 1959 can be expected from the prospective increase in pigs this fall. Prices this fall may not average much different from last fall. Cattle numbers are rising cyclically. However, unlike hogs, the consequent increase in marketings will not appear until much later. Cattle slaughter in coming months is expected to continue less than last year.

Prices to farmers for milk and butterfat have declined since late winter and in June were down 3 percent from a year earlier.

Egg prices began to move upward in late June and, with interruptions, are likely to continue to rise for the next 2 or 3 months. Broiler production is now at a record level. By mid-August the number of broilers maturing will exceed 1957 by almost 25 percent but the prospects for continuing short supplies of pork will temper the effect on prices.

Soybean meal prices during July-September probably will average above a year earlier, reflecting heavy feeding. Soybean oil prices may strengthen slightly but are likely to average less than during July-September 1957. Crushings of soybeans for the 1957-58 marketing year probably will reach a new high of 345 million bushels, about 30 million above last year's peak.

Feed grain production, based on July 1 indications, will total around 134 million tons, 8 million below the record output last year. However, the feed grain carryover next October is expected to total about a fourth larger than the 49 million tons carried into the 1957-58 feeding year.

The total wheat crop was estimated at the beginning of the month at 1,343 million bushels, 42 percent above 1957. If weather continues favorable this will be the second largest crop on record, exceeded only in 1947. Prospective yields per acre are the highest on record.

The 1958 deciduous fruit crop is indicated to be a little larger than 1957 with larger crops of peaches, apples and grapes. Remaining supplies of citrus from the 1957-58 crop are much smaller than a year ago, and supplies of canned and frozen fruits generally are lighter. Processor demand this year will probably be stronger than last year.

Production of 18 major summer vegetable crops, excluding melons, is expected to be about the same this summer as last. These crops make up about 2/3 of total summer tonnage. Prices of fresh vegetables and melons may average a little lower this summer than last. Potato prices also may continue relatively low this summer; indicated production of summer potatoes is 11 percent larger than last year and acreage for fall harvest is 7 percent larger.

About 12.4 million acres of cotton were in cultivation on July 1, the smallest since 1876. Disappearance for domestic use and exports in 1958-59 may total somewhat less than this year reflecting prospects for smaller exports. But disappearance is expected to exceed a small 1958 crop and result in further reduction in the carryover.

Mill use of apparel wool during May was 20 percent below May last year. The lower rate is largely a reflection of the decline in textile activity and partly of increased competition from manmade fibers.

Acreage of tobacco for harvest this year is estimated at 3 percent below 1957 and the smallest in 50 years. For most kinds of tobacco, however, the carryovers from previous crops are fairly large so that 1958 supplies of most grades are expected to be ample to meet requirements.

GENERAL BUSINESS CONDITIONS

Economic activity continued to show slight improvement in June after some encouraging signs in the previous month. Aside from seasonal influences, small gains were registered in May in industrial production, retail trade, new housing starts, personal income payments, total employment, and number of hours worked. With the exception of retail trade, these series continued to improve in June, though gains were still small. In addition, employment in manufacturing turned around in June. On the negative side, there was no change in prospects that businessmen will cut investment in plant and equipment further this year, the liquidation of manufacturers' inventories continued unabated, and the backlog of unfilled orders at the factories slipped off further.

Consumer Income and Spending Maintained

Consumer income rose slightly in June for the fourth consecutive month, aside from seasonal changes. Despite the cutbacks in output and employment since last summer, income payments to the consumer sector declined a relatively small amount and in recent months they have been increasing. The total decline in personal income from the August 1957 high to the low point in February this year was at an annual rate of 5.6 billion dollars, or less than 2 percent. From February through June, incomes rose at a rate of 5.4 billion dollars, about 2 percent. Of course, wage and salary payments bore the brunt of the decline as employment fell off, but these moved upward in May and again in June after taking account of the usual seasonal increase. Government transfer payments (chiefly unemployment compensation and veterans' payments) and farm income have helped to sustain income since the start of the recession. Personal income received from interest payments has also moved steadily upward since last summer.

Retail sales have shown little change in recent months. After slipping off from December to March, retail trade picked up in April, and a little more in May; preliminary reports, however, indicate a one percent drop in June. Department store sales were up slightly in June after adjustment for seasonal factors. Early reports indicate that dealer sales of new automobiles in June were about 2 or 3 percent below the May level, which was one of the highest monthly rates so far in 1958. However, this was still nearly a third below June sales a year ago.

The amount of consumer credit outstanding increased about 50 million dollars to a total of 43 billion by the end of May, after adjusting for seasonal variation. A rise in noninstallment credit, chiefly in charge accounts, more than offset a drop in installment paper outstanding. The peak in the volume of consumer credit outstanding was reached last December when it totaled 44.8 billion dollars. Then the volume declined as new extensions declined and repayments continued high. A brief pickup occurred in April and May, bringing total consumer credit up 1.1 billion dollars from May last year.

Construction Activity Rising Seasonally

Construction activity rose by the usual seasonal amount in June. The value of construction put in place totaled 4.4 billion dollars; this compares with 4.1 billion in May and is about the same as in June 1957. The total for the first half of this year was 22.1 billion dollars, the same as during January-June 1957. This aggregate stability reflects rising public outlays and an offsetting decline in private construction activity, particularly industrial construction. Most of the increase in public construction has consisted of highway building and housing (mainly armed services housing). Private industrial construction in the first 6 months of this year was nearly a fourth below a year earlier but most other types have held up well; private residential building was down only 1 percent. New private housing starts have picked up more than seasonally in each of the past 4 months. From seasonally adjusted annual rate of 915,000 in February, new starts rose to 1,090,000 in June, the highest rate in 22 months.

Construction contract awards, usually considered an indicator of future construction activity, increased nearly 20 percent from April to May after seasonal adjustment. Although contract awards were higher for residential construction, much of the gain over the month was in public construction of roads, military housing and other public facilities.

Employment Up In June; Unemployment Also Higher

Employment and unemployment both rose in June. The number of civilian jobs climbed to 65 million, 900,000 above the May level. However, this was less than the normal increase in employment for that time of year. Sharing in

the job increase were manufacturing industries in which employment had been declining slowly for the previous 18 months. At the same time the usual June wave of students entered the labor force so that unemployment increased by more than half a million. But this also was less than the usual June amount. At 5.4 million, this was the largest number of workers unemployed in 17 years, but at 6.8 percent of the labor force after seasonal adjustment, this was the lowest rate since last February.

Along with the increase in number of jobs in June there was a significant lengthening of the work week. The average number of hours worked in manufacturing expanded from 38.6 hours in May to 39.2 in June. The May figure reflected an increase from 38.3 hours in April. The average work week in April was a low reached after an almost steady decline from a 40 hour work week in August 1957.

Factory earnings hit a record last month. The substantial increase in number of hours worked and average hourly earnings steady at the May level of \$2.12 combined to boost average weekly earnings of production workers in manufacturing to \$83.10, an all-time high.

Farm employment rose 4 percent from the end of May to the end of June according to the Agricultural Marketing Service. This was about the same rise as in the previous month but slightly less than the normal seasonal increase for this time of year. Both the number of family workers and the number of hired workers were a little below the same time last year. Farm wage rates were $2\frac{1}{2}$ percent above a year earlier after adjustment for seasonal variation.

Manufacturers Sales and Orders

Pick Up In May

Manufacturers' sales, seasonally adjusted, remained unchanged during April and increased slightly during May after declining steadily for the previous 9 months. The small improvement was in durables sales but the decline in shipments of non-durables was also halted. Sales by manufacturers totaled 25.1 billion dollars in May after seasonal adjustment. This was 12 percent below May last year and $13\frac{1}{2}$ percent below the peak last July. New orders, which dipped a bit in April after a sharp turn around in March, were back up to the March level again in May. Net new orders placed with manufacturers in May, after seasonal adjustment, equalled 24.7 million dollars, about the same as in March; April orders amounted to 24.5 billion. New orders in May 1957 were 28.4 billion dollars, a peak, and 15 percent above May this year. The backlog of unfilled orders continued to decline. Unfilled orders at the end of May totaled 46 billion dollars, down 600 million over the month and was more than 15 billion dollars lower than in May last year. The decline was in durable goods orders reflecting the cut back in investment demand as well as a decline in consumer purchases of durable goods.

Total output of factories and mines rose nearly 2 percent in June following a similar increase in May. This followed a steady 8 month decline. A notable feature of the improvement in production was its widespread occurrence.

Every industry included in the index showed a more than seasonal increase in output in June, with one exception. That was the food, beverages and tobacco group which remained unchanged. The largest gains were in durables manufacturing and in mining.

Inventory Liquidation Continues

The book value of all inventories held by manufacturers, wholesalers and retailers in May totaled 87 billion dollars. This was a decline from April of 650 million dollars after seasonal adjustment. Inventories have been reduced steadily since last September when they totaled 91.3 billion dollars. Most of the reduction in May was at the manufacturers' level. Wholesalers' stocks declined fractionally. Retailers' inventories remained unchanged from April to May after declining in each of the 3 previous months.

With inventories declining and sales remaining stable or increasing slightly, ratios of inventories to sales declined in April and again in May both at the manufacturing and trade levels. Virtually all of the decline in inventories relative to sales has been in durable goods.

Prospects remain dim for any pick up in plant and equipment investment by business firms in the near future. A government survey conducted in late April and May reported that businessmen planned to spend 31 billion dollars on new plant and equipment this year, 17 percent below the record 37 billion dollars put into this form of investment in 1957. Examination of the figures for planned outlays by quarters indicates a drop of about 3 percent, after accounting for seasonal changes from the first to the second quarter of this year and a similar decline in the July-September quarter. Declining investment follows a substantial expansion in the productive capacity of American industry and current output rates well below capacity.

Consumer Prices Steady

Urban retail prices, which have been moving steadily upward since last December, rose by less than one-tenth of one percent in May. This was the smallest monthly increase over the 5 month period. At 123.6 (1947-49=100), the Urban Consumer Price Index in May was 3 percent higher than May of last year. Rising food prices last spring were the chief cause of the advance in the index. Food prices were unchanged during May. Prices of fresh fruits, meats, and poultry rose from April to May but these were offset by lower prices for fresh vegetables, milk, and eggs. For June, reports on rural family living costs show a decline in food prices from May.

Wholesale Prices Decline

The average of wholesale prices turned down in June. From 119.5 (1947-49=100) in May, the Department of Labor's index of wholesale prices declined to

119.1 in June. During June 1957 the index was 117.4. The decrease was centered in the farm products index which dropped from 98.5 in May to 95.6 in June. Processed foods prices increased slightly; products other than farm and food remained unchanged.

Prices Received by Farmers
Down 3 Percent in Month

The Index of Prices Received by Farmers declined 9 points, or 3 percent from 264 (1910-14=100) in May to 255 in June. The index was still 5 percent above June last year. Sharp seasonal price declines in June for vegetables, potatoes and wheat, and more moderate declines for cattle and calves reflected increased marketings. The only significant offsets were for apples and for new crop peaches starting to market. Due mainly to the drop in beef cattle prices, the meat animals index declined 2 percent after a steady 7 month advance. But meat animal prices in June averaged about a fifth above June 1957.

Prices Paid by Farmers
Down Slightly

The Index of Prices Paid by Farmers declined a point, or 1/3 of 1 percent from May to June but was 3 percent higher than last June. This was the first reduction since July a year ago. The averages of prices paid for both family living and for production showed slight declines. Among the family living items, fresh vegetable prices caused most of the decrease ; prices of fruit, cereals and tobacco rose.

Lower cost of feeder livestock, feed, and motor supplies slightly more than offset higher prices for farm machinery, tractors, building and fencing materials and the farm supplies group. Thus the index of prices paid for production items declined fractionally, but was still about 5 percent higher than a year earlier. Since the Prices Received index fell 3 percent over the month while the Prices Paid (Parity) index declined less than one percent, the Parity Ratio dropped from 86 in May to 84 in June. This was 2 percent higher than the level of 82 in June last year.

FARM INCOME

Farmers received about 13.8 billion dollars from marketings in the first 6 months of 1958, up 11 percent from a year ago. Prices averaged 8 percent higher, and the volume of marketings was 3 percent larger. The increase in marketings was due in part to delayed marketings of 1957 crop cotton and corn. Production expenses were also higher, but by less than 4 percent, not nearly enough to offset the increase in gross farm income. As a result, farmers realized net income in the first half of 1958 was at an annual rate of 13.3 billion dollars. This was 22 percent higher than the revised estimate for the same period of 1957. Receipts from livestock and products were 9.1 billion dollars, 12 percent above last year. Higher average prices for hogs, cattle, and eggs largely accounted for the increase in livestock receipts. Crop receipts in the

first half of 1958 were 4.7 billion dollars, 10 percent above last year. Average crop prices were about the same as a year ago, but marketings were larger.

Total cash receipts in June were about 2.3 billion dollars, up 10 percent from June 1957, with both higher prices and larger marketings. Receipts from livestock and products were about 1.5 billion dollars, 13 percent above last June, mostly because of higher prices and larger marketings of cattle and hogs. Prices of eggs were up also. Crop receipts in June were about 0.8 billion dollars, up 5 percent from a year ago. Prices averaged slightly lower but marketings were larger.

LIVESTOCK AND MEAT

Hog production is beginning an uptrend. The 1958 spring pig crop is estimated to be only 2 percent larger than last year's crop, but producers plan for 13 percent more sows to farrow fall pigs. Price reaction to the small gain in spring pigs will be small but if farmers' intentions are carried out, a sizeable downward adjustment in 1959 can be expected for the prospective gain in fall pigs. Prices of hogs will decline seasonally this fall and may not average greatly different from levels of last fall. Prices next spring and summer, when fall pigs are marketed, will likely be considerably below those of this past year. Nevertheless, prices are likely to retain at least an average relationship to feed prices.

The inventory of cattle and calves on farms next January 1 is likely to be larger than last January. However, unlike hogs, the consequent increase in marketings will not appear until much later. During the remaining months of 1958 cattle slaughter is expected to be less than last year; slaughter in 1959 may be up some from 1958 though still below 1957. Slaughter of fed cattle this summer and fall will average larger than a year earlier but slaughter of other classes will be smaller.

Prices of fed cattle have declined \$2.00 to \$3.00 per 100 pounds from their high in March, but in early July were still \$2.00 to \$2.50 above the prices of July last year. A small further decline seems probable. If it occurs, some further seasonal drop in prices of feeder cattle also may take place. Feeder prices will be influenced also by range conditions and by prospects for feed production. On the whole, though, prices of feeder cattle seem likely to remain considerably higher than last year during most or all of the fall.

Prices of old-crop lambs declined gradually beginning in late winter to below a year before, but prices of spring lambs in early July were about a dollar per 100 pounds above last year. Unless prices of cattle and hogs decline more than now seems probable, prices of lambs will likely hold up well this summer and fall. They may average close to last year's prices.

Retail prices of meat this summer will be higher than last summer. Production of pork and of fed beef will likely exceed last year, but production of other kinds of meat will be less; and cold storage stocks on hand at the beginning of the summer were considerably smaller than a year before.

DAIRY PRODUCTS

Production of milk for the U.S. as a whole reached the annual peak in early June and has declined seasonally since that time. By the fourth week of June production of cheese came within 1 percent of a year earlier, the smallest reduction since early February 1958. Production of butter was nearer last year than during much of May, down only 1 percent compared with 4 to 7 percent from mid-May to mid-June.

Output of milk in June as a whole was 1 percent below a year earlier. The smaller number of cows more than offset a new high record in milk production per cow. Milk-feed price relationships are above average and are likely to continue so through the rest of 1958. On the other hand, milk prices are likely to continue below last year compared with prices for meat animals. Growing conditions for pastures and crops generally will influence milk production in remainder of the year.

Total consumption of fluid whole milk for a number of markets is up slightly, leaving a reduced supply for factory production. Retail prices for fluid milk have declined seasonally since late winter but are continuing between 4 and 5 percent above a year earlier. Retail prices of all other dairy products, except butter, also continue above last year, though some have shown seasonal reductions since late winter.

Sales of butter to the CCC the first 3 months of this marketing year were 85 percent of those of a year earlier, but cheese sales were less than 25 percent of those during April-June 1957. The milk equivalent of the two combined was 1.6 billion pounds this year compared with 2.4 billion a year earlier. In addition, in the first quarter of the current marketing year, 310 million pounds of non-fat dry milk were sold to the Department of Agriculture compared with 286 million last year. Increased consumption of cheese and the slight reduction in output account for the decline in sales to CCC, so far.

Prices to farmers for milk and butterfat have declined since late winter and in June were down 3 percent from a year earlier. Manufacturing milk was down 5 percent but fluid milk declined less, and a greater proportion was used in fluid milk outlets.

POULTRY AND EGGS

Large increases over last year in May and June hatchings of egg type chicks have changed the egg price outlook for the last few months of 1958, and show a 12 percent increase over last year in the number of egg type chicks hatched so far this year as laying flock replacements. Through April, monthly hatchery production indicated a cumulative increase of only 7 percent over 1957 in the number of replacement chicks. But May hatchings leaped to

a level 23 percent above 1957, and June 1 hatchings--though on a much smaller base--were 40 percent above last year. July 1 eggs in incubators were 19 percent up from 1957.

After a late peak in seasonal production, egg prices began to creep upward in late June and are likely to continue to rise in the next 2 or 3 months. At the beginning of July egg prices were generally 4 to 6 cents per dozen (about 15 percent) above the year before, a smaller margin than had prevailed in the first 5 months of 1958. Under impact of progressively larger monthly production in relation to a year ago, egg prices may not rise fully as much as last fall, and by year-end may actually be lower than a year earlier; but until the last 2 or 3 months of the year they are likely to follow an irregular upward course.

During the summer, monthly egg production likely will increase relative to a year ago. The strength in egg prices since last September has been due in large part to the smaller monthly outputs than a year earlier, and the expectation for some time of continued smaller outputs than a year earlier. Although monthly production in June overtook 1957, prices may remain above 1957 for a while after monthly production has reached well above a year earlier. Through May, cumulative 1958 egg production was 3 percent smaller than in the same months of the preceding year. Output in June, however, was above 1957 by less than 1 percent.

Broiler production is at a record level, after about 6 months of prices which broiler producers have considered favorable. Hatchings and egg settings to date this year are 15 percent above the same period in 1957, and the number of pullet chicks hatched for broiler hatchery supply flocks by 10 leading firms since the beginning of 1958 has been 23 percent above 1957. About mid-August, the number of broilers maturing will exceed 1957 by about 23 percent, but the indicated continuing smaller supplies of red meats will temper the price effects of these large broiler supplies. In June, the U.S. average price for broilers was 21.0 cents per pound, up 0.9 cents from the month before and 0.3 cents above June 1957. Monthly prices so far this year have ranged between 19.3 and 21.5 cents, and for every month were higher than in 1957.

Turkey production in 1958 will be down sharply from the 81 million birds raised in 1957, despite a hatching season which continues later than last year. About a 7 percent production cut seems assured, despite expected hatchings in July and August well above last year. June hatchings were 4 percent above last June, but until June 1, United States hatchings had been 10 percent under 1957. Although slaughter so far this year has been almost 20 percent below 1957, large stocks from storage have kept prices received by farmers from rising more than 2 cents per pound from last year. In mid-June they averaged 25.6 cents, compared with 23.3 cents a year earlier. This differential, about the same as the average 1957-to-1958 difference since mid-March, may not widen much as the season progresses, despite the sharp cutback in production, in view of continuing large stocks and the increase in the late hatch.

OILSEEDS, FATS AND OIL

Prices received by farmers for soybeans probably will continue to average near the support price of \$2.09 per bushel through the remainder of the marketing year. Prices on central markets have remained quite stable during the current marketing year.

The loan maturity date for 1957-crop soybeans was May 31. Of the 90.6 million bushels of beans placed under support, producers had repaid loans on 26.6 million and had indicated that they intended to deliver only 3.0 million bushels of the 18.9 million under purchase agreements. Through mid-June, deliveries to CCC totaled nearly 30 million bushels, leaving about 18 million bushels outstanding. CCC has sold about 20 million bushels from its inventory through July 10.

Soybean crushings in October-June 1957-58 are estimated at a record 268 million bushels compared with 244 million a year ago. Record crushings are being encouraged by sharply reduced supplies of cottonseed oil and lard and by some increase in total domestic takings of food fats. Strong demand for reduced stocks of soybean meal and favorable meal prices are also important factors. Crushings for the marketing year probably will reach a new high of 345 million bushels, about 30 million above last season's peak.

Soybean exports continue near last year's record level and not much change from a year ago is expected through the rest of the current marketing year. From October 1957 through July 11 nearly 74 million bushels (based in part on inspection data) were shipped out, compared with 71 million a year earlier. Principal takers were western Europe and Japan. Total exports for the 1957-58 season probably will be about 85-90 million bushels.

Based on the above estimates of crushings and exports, the carryover of soybeans on October 1, 1958 would be around 25 to 30 million bushels, 15 to 20 million above a year earlier but still only 5 to 6 percent of the huge crop. The major part of estimated carryover would be in hands of CCC.

Soybean oil prices (crude, Decatur) during October-May 1957-58 were relatively stable, averaging 11.3 cents per pound, 2 cents below the previous year. Prices dropped sharply to about 10.2 cents per pound in June and by mid-July were 9.8 cents, 2 cents under a year earlier and the lowest since the spring of 1952. Relatively slow export demand and heavy supplies of bean oil were the major bearish factors.

Exports of soybean and cottonseed oils in October-May 1958-59 totaled 670 million pounds, about 32 percent less than in the previous year. In May over 192 million pounds of these oils were shipped under P. L. 480, making the October-May 1957-58 total 365 million pounds compared with 461 million in the corresponding period of 1956-57. Under current P. L. 480 programs, 450 million pounds of soybean and cottonseed oils remain to be shipped, most of which is expected to move before October 1. Total exports of these oils during the current marketing year may be about 1,100 million pounds, compared with 1,234 million pounds in 1956-57.

Domestic demand for soybean oil and meal is expected to continue strong. Soybean meal prices during July-September 1958 probably will average above a year earlier reflecting strong demand for feeding. Soybean oil prices may strengthen but are likely to average less than the 11.5 cents per pound (crude, Decatur) during July-September 1957. The rise would reflect the expected reduction in supplies resulting from a good movement into domestic and export channels. Supply prospects for competitive cottonseed oil will naturally have a bearing on prices later in the season.

Lard output in 1958-59 probably will increase around 7-8 percent from the 2,460 million pounds estimated for the current crop year. The increase would reflect a rise in hog slaughter. The 1958 pig crop, which will provide most of the hogs for slaughter in 1958-59, is expected to total 94.2 million head compared with 88.3 million for 1957.

Tallow and grease production in 1958-59 is likely to increase slightly, mainly because of increased hog slaughter. Cattle slaughter is expected to be maintained at the 1957-58 level.

The July 1 crop report indicated soybeans planted alone for all purposes at 24.4 million acres. This is a new record and the ninth consecutive increase. About 23.4 million acres of the total acreage planted to soybeans this year (alone plus interplanted) will be harvested for beans if growers carry out their intentions as of July 1. This is 13 percent above last year, the previous high, and a new record. Cotton in cultivation on July 1, 1958 is estimated at 12.4 million acres, 12 percent less than in 1957. The 1958 State allotments total 17.6 million acres, the same as in 1957, but nearly 5 million acres were placed in the Soil Bank compared with 3 million the previous year.

The first production forecasts for soybeans and cotton will be released in August.

FEED

Total supplies of feed grains and other concentrates for the 1958-59 feeding year are expected to be a little above the record supply of last year. Feed grain production this year, based on July 1 indications, will total around 134 million tons, 8 million below the record output last year. The total carryover of feed grains into 1958-59 however, is expected to be about 61 million tons, a fourth larger than the 49 million tons carried over into 1957-58. Production of soybean meal is expected to continue large in 1958-59 maintaining high protein feed supplies at a high level.

The 1958 growing season has been very favorable for hay crops and pastures. Hay production was estimated in July at 114 million tons, 6 percent smaller than the bumper crop last year, but 9 percent above the

1947-56 average. This plus the big carryover on May 1 gives a total supply for 1958-59 of 141 million tons, slightly above the record supply last year.

The number of grain consuming animal units to be fed in 1957-58 is now estimated to be about the same as in 1956-57. The rate of feeding per animal unit, however, is expected to be heavier resulting in a little larger total consumption of feed grains. Principally because of expanding hog production, a moderate increase in feed requirements of livestock is in prospect for 1958-59.

Cash prices of feed grains and most of the byproduct feeds have been comparatively stable during the past month or so, after advancing rather sharply from January to May. Since January there have been substantial rises in prices of corn, soybean meal, animal protein feeds and hominy feed. Last winter feed prices were generally much lower than a year earlier, but increases since then brought feed grain prices in June to close to the 1957 June average and high protein feed prices to 15 percent higher.

In the first half of July, No. 3 Yellow corn at Chicago averaged \$1.35 per bushel. This was slightly higher than a year earlier and 24 cents above the January average. Seasonal declines in prices of oats and barley have been later than usual as rain has delayed harvesting in the midwest. The average price received by farmers for oats in June was close to the 1958 support rate of 61 cents per bushel, while barley prices averaged 2 cents below the 1958 support of 93 cents per bushel.

The new export program for oats, barley, sorghum grain and rye began July 1. Exports of the grain under this program are being subsidized through payment-in-kind made from CCC stocks. The program for these grains will operate on the same basis as the corn export program, which has been in operation since May 12. Through June 30, 16 million bushels of corn had been exported under the new program at payments ranging from 11 to 25 cents per bushel.

WHEAT

The total wheat crop was indicated as of July 1 at 1,343 million bushels, 42 percent above the 947 million bushels produced in 1957. This would be the second largest crop in our history, exceeded only by 1947. Yields per acre are highest of record. The winter wheat crop was forecast at 1,130 million bushels and the spring crop at 213 million bushels. Domestic disappearance is estimated at 593 million bushels and exports at 375 million. Accordingly, a crop of 1,343 would result in an increase in the carryover of about 375 million bushels by the end of the 1958-59 marketing year.

The average price received by farmers dropped from \$1.93 in mid-May to \$1.70 in mid-June. Prices have continued lower since mid-June. The seasonal downward adjustment this year will be larger than usual because the crop is considerably larger than anticipated domestic use and exports, the price support rate has been lowered and there is unusually large production on farms not eligible for price support.

The national average support price to producers for 1958-crop wheat was announced on July 1 at \$1.82 per bushel, an increase of 4 cents per bushel above the "advance" minimum price for this year's crop announced in April 1957. The national average support rate for the 1957-crop wheat was \$2.00 per bushel.

Prices are usually lowest in either June, July or August. Prices are expected to strengthen after the heavy movement slackens following harvest, as in recent years. Prices of hard red winter wheat, however, are not expected to strengthen as much as usual. This is because "free" supplies were built up as a result of the unusually large crop of hard red winter wheat which was due to high yields and the large production in excess of allotments. Farmers who are not in compliance cannot take advantage of the price support program and will sell their wheat on the open market if they do not store it themselves.

FRUIT

The 1958 deciduous fruit crop is indicated to be somewhat larger than the 1957 crop. But remaining supplies of citrus from the 1957-58 crop are much smaller than a year ago, and supplies of canned and frozen fruits and juices generally are lighter. Demand for fruit for processing should be stronger than last year, and consumer demand for fruit is expected to continue good.

Prospects on July 1 were for a peach crop in 1958 about one-fifth larger than the near-average crop last year. Prospects were for the commercial apple and grape crops to be up 5 and 4 percent, respectively, over the 1957 crops. The commercial strawberry crop, now nearly all harvested except in California, is up 1.5 percent over 1957. But production of other major deciduous fruits is indicated to be considerably smaller than in 1957. Prospects on July 1 for tree nuts were for a considerable increase over last year in production of walnuts, but for sharp cuts in the almond and filbert crops.

Summer supplies of oranges and grapefruit, mostly from California, and limes from Florida will continue much lighter than last year. Prices are expected to continue higher than last summer. Although supplies of California lemons are smaller than the heavy supplies last year, they are expected to continue adequate for the usual needs. The July 1 condition of the 1958-59 orange and grapefruit crops, harvest of which will start next fall, was not as good as the July 1 condition of the new crops last year.

The 1957-58 Florida pack of canned single-strength citrus juices was about 32.5 million cases of 24 No. 2 cans, 8 percent smaller than the 1956-57 pack. With increased movement, packers' stocks on July 5, 1958 were about 43 percent smaller than a year earlier. Output of Florida frozen orange concentrate was over 57 million gallons, down a fifth from the 1956-57 pack. Packers' stocks on July 5 were 25 percent below a year earlier. Prices of both canned and frozen citrus juices are expected to continue considerably above those of last summer.

Movement of strawberries to freezers was seasonally heavy during May and June. The 1958 pack of frozen strawberries may total not greatly different from the large 1957 pack. But the pack of red sour pitted cherries is expected to be down considerably, mainly because of lighter crops in Michigan and Wisconsin. Total cold-storage holdings of frozen deciduous fruits and berries (excluding juices) on July 1, 1958 were about 11 percent larger than a year earlier.

With carryover stocks of canned fruits held by packers generally smaller than a year ago and decreases in some 1958 packs of deciduous fruits, total supplies of canned fruits are expected to be somewhat lighter this summer than last.

COMMERCIAL VEGETABLES

For Fresh Market

Production of 18 summer vegetables, excluding melons, is expected to be about the same this summer as last. These crops make up about two-thirds of total summer tonnage. Among the more important items materially smaller tonnages are expected for celery, cucumbers and cauliflower and slightly to moderately smaller tonnages of carrots, snap beans and lettuce. But these declines are about offset by substantially larger tonnages of early summer green peppers, and slightly to moderately larger tonnages of early summer tomatoes, summer sweet corn and lima beans.

Prospective production of early and mid-summer cantaloups combined is up 35 percent, and watermelons are up 22 percent. Prices of fresh vegetables and melons may average a little lower this summer than last, when there was less overlap of harvest than usual, and when supplies of some crops were delayed and curtailed by drought in the East.

For Processing

Supplies of processed vegetables are expected to be about the same this year than last, and substantially above the 1949-56 average. Carryover stocks of canned vegetables at the end of the current season were moderately smaller than a year earlier and frozen stocks substantially smaller. Acreage for processing is also down. But acreage of tomatoes, a crop with relatively high yields per acre, is materially larger. Should yields be near the average of recent years, aggregate production of processing crops on the indicated acreage would be about the same as in 1957.

POTATOES AND SWEETPOTATOES

Indicated production of summer potatoes, at 45.9 million hundred-weight, is 11 percent larger than last year and 7 percent above the 1949-56 average. Prices during the summer are likely to remain at relatively low levels. acreage for fall harvest is 7 percent larger than last year.

Indications are that fewer sweetpotatoes will be available in the 1958-59 season than a year earlier, and substantially less than the 1949-56 average. Production is currently estimated at 17.5 million hundredweight, 3 percent less than last year and 11 percent below average. Prices received by farmers for the 1958 crop are expected to average about the same as those of a year earlier.

DRY BEANS AND PEAS

Supplies of dry field peas in the 1958-59 season are expected to be substantially smaller than the heavy supplies of a year earlier and about in line with normal and export sales. Dry beans are likely to be in significantly larger supply this year than last. Prices received by farmers for dry peas probably will average materially above the low levels of this season, but prices for dry beans are likely to be moderately to substantially below those of the current season.

COTTON

About 12.4 million acres of cotton were in cultivation on July 1, 1958. This compares with acreage allotments for all kinds of cotton of about 17.6 million acres and acreage in cultivation a year earlier of about 14.1 million. The 1958 figure is smaller than harvested acreage in any year since 1876. Slightly more than 4.9 million acres of the 1958 acreage allotment for Upland cotton were signed under the acreage reserve program. Reductions from planted acreage were in line with the past 2 years.

Because varying proportions of each State's acreage allotments were placed in the Soil Bank, there was a further regional shift in cultivated acreage. As in 1957, the proportion in the Southeast decreased, and the proportion in the West increased. The Southwest gained somewhat, but the Delta states held about the same. Subsoil moisture in many areas is the most favorable in recent years. While late as of July 1, the crop was making good progress throughout the belt, and in the West exceptionally good weather has prevailed during most of the season. A large proportion of the Soil Bank sign-up is in the relatively low yielding areas.

Since August 1, 1957 the average 14 spot market price for Middling 1-inch cotton has remained above the 1957 average loan level at these markets. Since December 1957 market prices fluctuated within a narrow range. The average price in August 1957 was 33.63 cents per pound, in December 34.89 cents, and in June 1958 it was 34.81 cents per pound. The average loan rate at these markets for the 1957 crop was 32.56 cents. The average price on July 14 was 34.91 cents.

Prices received by farmers have remained at about 29.10 cents per pound during the past two months. A small decline in the parity price in June resulted from a reduction in prices paid by farmers.

Of the 3.7 million bales of the 1957 crop which had been placed under loan, repossession amounted to more than 900,000 bales, leaving a net of

2.7 million bales under loan as of mid-July. At that time, CCC inventories totaled less than 400,000 bales. Total carryover next August 1 is expected to be about 8.7 million bales.

Disappearance of cotton during the 1958-59 marketing year which begins August 1, is expected to be substantially below the 13.6 million bales estimated for the present season. Disappearance of cotton is expected to be in excess of domestic production and a further reduction in the carryover will ensue.

Domestic mill consumption may be about the same as the 8 million bales estimated for 1957-58. Any pick-up in mill consumption will likely not be evident during the first few months of the season, as the ratio of stocks to unfilled orders at the mills continues at a very high level. Moreover, mill margins have declined in recent months and, based on past experience, would have to increase in advance of increased mill activity. However, consumer incomes have picked up in recent months and are expected to remain relatively high.

Based on preliminary information on production, consumption and stocks in the foreign free world, exports may be about a million bales below 1957-58. However, exports will be assisted by the continued sales of CCC stocks for exports at competitive world prices and by the new payment-in-kind export program. CCC sales for exports under the 1958-59 exports sales program were close to 700,000 bales by mid-July. As of July 9, registrations under the payment-in-kind program were negligible. Exports will also be assisted by the special export program; approximately 700,000 bales of cotton authorized under these programs remained unshipped at the end of June 1958.

The minimum level of price support on the 1958 crop of extra long staple cotton was announced on July 9 at an average of 53.95 cents per pound, 5.75 cents below the average level on the 1957 crop. The 1958 support level reflects 65 percent of the current parity price of 83 cents per pound. Acreage under cultivation for American Egyptian cotton on July 1, 1958 was 78,600 acres, compared with acreage allotments of 79,676 acres. The final price support level for upland and American Egyptian cotton will be announced in August.

WOOL

At the close of the 1957-58 selling season in the British Dominions late in June, prices were slightly lower than a month earlier. Declines during June just about offset the advance during May. Duty-added prices of most wool were between 25 and 30 percent lower than a year earlier, reflecting the easier world demand.

Early in June, Boston quotations for most domestic wools were the same as a month earlier. But they were substantially lower than a year earlier.

Prices received by domestic producers for shorn wool during June averaged 37.7 cents, grease basis. The June average was 1.4 cents higher than a month earlier, but it was 17.7 cents lower than a year earlier.

Mill use of apparel wool in the United States during the first 5 months of this year was 28 percent lower than a year earlier. During May it was 20 percent below a year earlier. The lower rate of mill use is largely a reflection of the general decline in textile activity and fiber use which started in 1956. Increased competition from manmade fiber also has contributed. During January-May, mill use of carpet wool was 37 percent below a year earlier.

The lower rate of mill consumption of wool early this year than a year earlier has been reflected in reduced imports. During the first quarter, imports of dutiable wool for consumption were 36 percent below early last year. Imports of duty-free wool were down 27 percent.

TOBACCO

The July indication for production of all types of tobacco combined is about 2 percent above the total 1957 crop which was the smallest since 1943. For most kinds, however, the carryovers from previous crops are fairly large so that 1958 total supplies of most grades are expected to be ample to meet requirements.

Acreage of tobacco for harvest this year is estimated to be 3 percent below 1957 and the smallest in 50 years. As of July 1 average yields per acre for most kinds are indicated to be above last year but there was little difference for burley and lower yields indicated for cigar binder wrapper types.

Georgia-Florida auction markets for flue-cured will open July 29--11 days later than last season. Flue-cured tobacco auctions farther north will open in August and September. The season average price for the 1957 Georgia-Florida crop of flue-cured was 56.2 cents per pound and for the U. S. crop, as a whole 55.4 cents. The Government support level this season for flue-cured is 54.6 cents per pound, 3.8 cents higher than the 1957 level. The support level represents 90 percent of parity as of July 1.

The July indication was for a total flue-cured crop of 1,012 million pounds, about 4 percent above the 1957 outturn but still second smallest since 1943. Carryover of flue-cured on July 1, 1958 is estimated at about 2,330 million pounds--7 percent less than a year earlier but still second highest on record. Carryover plus this year's small crop will provide a total supply for 1958-59 of 3,342 million pounds--4 percent below that for 1957-58.

Marketing of the 1957 crop of Maryland tobacco has been about completed. Auction markets closed July 18. The auction market season average was near 44 1/3 cents per pound--13 percent lower than last season. The indicated 1958 Maryland crop as of July 1 is 31.5 million pounds.

The 1958 crop of burley tobacco, estimated at 483 million pounds as of July 1 is only about 1 percent below last year. This year's crop plus the

carryover is expected to provide a total 1958-59 supply 1 or 2 percent less than for 1957-58.

Cigarette output in the 12 months ended June 30 is estimated at 446 billion--about 12 billion or 2 3/4 percent above 1956-57 and a new record. The fiscal 1957-58 output of smoking tobacco is estimated at 74 million pounds--7 percent higher than in 1956-57. This is a significant turnabout since consumption of smoking tobacco had been trending downward for several years. The 1957-58 outputs of chewing tobacco and snuff are estimated at 70 1/2 million and 35 million pounds respectively--both about 4 percent lower than a year earlier.

According to July 1 indications the fire-cured and dark air-cured crops (used domestically in snuff and chewing products) will be 15 and 5 percent below last year's. If these declines are borne out, 1958 production will be the lowest on record for these types.

Cigar and cigarillo consumption in the year ended June 30 totaled approximately 6 1/4 billion--up a little over the previous year.

The July indication for cigar filler tobacco was for about a 16 percent larger crop than last year's harvestings when yields were relatively low. The Connecticut Valley cigar binder crop is indicated to be down 31 percent, but production of the Wisconsin binder types may be 4 percent higher than in 1957. Indicated production of cigar wrapper tobacco is about 8 percent smaller than the record outturn of last year.

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